

ASSEMBLY BILL

No. 1779

Introduced by Assembly Member Niello

February 9, 2010

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1779, as introduced, Niello. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

(1) The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, 2010, as provided. The Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.

This bill would provide further conformity to those federal acts, as provided.

(2) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17144.5 of the Revenue and Taxation
2 Code is amended to read:

1 17144.5. (a) Section 108 of the Internal Revenue Code, relating
2 to income from discharge of indebtedness, as amended by Section
3 2 of the Mortgage Forgiveness Debt Relief Act of 2007 (Public
4 Law 110-142), *and as amended by Section 303 of the Emergency*
5 *Economic Stabilization Act of 2008 (Public Law 110-343)*, shall
6 apply, except as otherwise provided.

7 ~~(b) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
8 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
9 ~~(Public Law 110-142), is modified by substituting the phrase~~
10 ~~“January 1, 2009” for “January 1, 2010” contained therein.~~

11 ~~(c) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
12 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
13 ~~(Public Law 110-142), is additionally modified to provide that the~~
14 ~~amount excluded from gross income shall not exceed \$250,000~~
15 ~~(\$125,000 in the case of a married individual filing a separate~~
16 ~~return).~~

17 ~~(d) Section 108(h)(2) of the Internal Revenue Code, as added~~
18 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
19 ~~(Public Law 110-142), is modified by substituting the phrase~~
20 ~~“(within the meaning of section 163(h)(3)(B), applied by~~
21 ~~substituting ‘\$800,000 (\$400,000’ for ‘\$1,000,000 (\$500,000’ in~~
22 ~~clause (ii) thereof)” for the phrase “(within the meaning of section~~
23 ~~163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000’~~
24 ~~for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” contained~~
25 ~~therein.~~

26 ~~(e)~~

27 (b) This section shall apply to discharges of indebtedness
28 occurring on or after January 1, 2007, and, notwithstanding any
29 other law to the contrary, no penalties or interest shall be due with
30 respect to the discharge of qualified principal residence
31 indebtedness during the 2007 taxable year regardless of whether
32 or not the taxpayer reports the discharge on his or her return for
33 the 2007 taxable year.

34 SEC. 2. The Legislature finds and declares that the mortgage
35 debt tax relief allowed to taxpayers in connection with the
36 discharge of qualified principal residence indebtedness, as
37 described in this act, serves a public purpose and does not constitute
38 a gift of public funds within the meaning of Section 6 of Article
39 XVI of the California Constitution.

1 SEC. 3. This act provides for a tax levy within the meaning of
2 Article IV of the Constitution and shall go into immediate effect.

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